

Consolidated Financial Statements of

**RURAL MUNICIPALITY OF
ABRAM-VILLAGE**

Period ended March 31, 2019



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Independent Auditor's Report

To the Member of Council of Rural Municipality of Abram-Village

Opinion

We have audited the consolidated financial statements of Rural Municipality of Abram-Village (the "Municipality"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of operations, the consolidated statement of changes in net financial assets, and the consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at March 31, 2019, and its consolidated results of operations, its consolidated statement of financial position, its consolidated change in net financial assets, and its consolidated cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Municipality's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Summerside, Prince Edward Island
July 10, 2019

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Consolidated Statement of Financial Position

March 31, 2019, with comparative figures for December 31, 2017 (note 10)

	2019	2017
Financial Assets		
Cash	\$ 53,175	\$ 17,913
Restricted cash	288,201	244,785
Accounts receivable (note 2)	31,915	180,077
	373,291	442,775
Liabilities		
Accounts payable and accrued liabilities	5,361	34,495
Long-term debt (note 4)	197,782	362,787
Deferred revenue	37,245	-
	240,388	397,282
Net financial assets	132,903	45,493
Non-financial Assets		
Land for sale	285,239	248,151
Prepaid expenses	3,907	4,541
Tangible capital assets (Schedule 3)	2,200,098	2,257,502
Accumulated surplus (note 6)	\$ 2,622,147	\$ 2,555,687

The accompanying notes are an integral part of these consolidated financial statements.

On Behalf of the Council:

_____ Mayor

_____ Councilor

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Consolidated Statement of Operations

Period ended March 31, 2019, with comparative figures for December 31, 2017 (note 10)

	Budget (note 8)	2019	2017
Revenue:			
Municipal property tax	\$ 64,750	\$ 64,713	\$ 49,420
Sewer revenue (Schedule 1)	62,500	62,483	50,226
Government transfers for operations (note 7)	16,400	20,847	21,390
Administration fee - Sewer	13,500	13,500	13,231
Community center (Schedule 2)	3,750	4,790	2,990
Jeux de L'Acadie 50+ profit sharing	250	6,097	275
Interest	250	2,133	1,574
Sale of lots	-	-	2,060
	161,400	174,563	141,166
Expenses:			
Sewer expenses (Schedule 1)	50,500	85,980	70,184
Community center (Schedule 2)	15,000	23,377	16,785
Advertising and promotion	1,875	2,096	849
Amortization - sidewalk and park	-	16,553	13,242
Community Fund Canada Day	-	-	4,000
Community Fund Setting the Stage	-	-	4,200
Donation and bursary	5,875	6,850	800
Dues and fees	875	1,035	652
Fire dues	19,875	19,900	15,457
Honorariums and council expenses	5,650	5,628	4,423
Insurance	3,500	3,524	3,004
Interest and bank charges	250	389	149
Interest on long-term debt	2,500	7,227	679
Office	2,500	2,714	1,777
Park expenses	1,250	2,228	1,086
Professional fees	9,375	7,732	7,457
Property taxes	875	722	722
Removal of water tank	-	-	1,614
Salary - administrator	6,250	6,303	4,554
Street lights	9,250	9,318	7,501
Wages and benefits - student	4,000	3,951	3,946
	139,400	205,527	163,081
Excess (deficit) of revenues over expenses - before other	22,000	(30,964)	(21,915)
Other:			
Government transfers for capital (note 7)	-	97,424	239,238
Annual surplus	22,000	66,460	217,323
Accumulated surplus, beginning of period	2,555,687	2,555,687	2,338,364
Accumulated surplus, end of period	\$ 2,577,687	\$ 2,622,147	\$ 2,555,687

The accompanying notes are an integral part of these consolidated financial statements.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Consolidated Statement of Change in Net Financial Assets

Period ended March 31, 2019, with comparative figures for December 31, 2017 (note 10)

	2019	2017
Annual surplus	\$ 66,460	\$ 217,323
Acquisition of tangible capital assets	-	(190,263)
Amortization of tangible capital assets	57,404	45,923
	57,404	(144,340)
Acquisition of land for sale	(37,088)	(147,292)
Acquisition (disposal) of prepaid expenses	634	(209)
	(36,454)	(147,501)
Increase (decrease) in net financial assets	87,410	(74,518)
Net financial assets, beginning of period	45,493	120,011
Net financial assets, end of period	\$ 132,903	\$ 45,493

The accompanying notes are an integral part of these consolidated financial statements.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Consolidated Statement of Cash Flows

Period ended March 31, 2019, with comparative figures for December 31, 2017 (note 10)

	2019	2017
Operating activities:		
Cash receipts from property owners and grants	\$ 218,481	\$ 112,897
Cash paid to suppliers and employees	(200,198)	(226,738)
Interest paid	(13,803)	(5,981)
Interest received	2,541	1,790
	<u>7,021</u>	<u>(118,032)</u>
Cash flows from capital activities:		
Purchase of tangible capital assets	-	(190,263)
Government transfers for capital received	236,662	100,000
	<u>236,662</u>	<u>(90,263)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	28,397	349,404
Repayment of long-term debt	(193,402)	(85,163)
	<u>(165,005)</u>	<u>264,241</u>
Increase in cash position	78,678	55,946
Cash, beginning of period	262,698	206,752
Cash, end of period	<u>\$ 341,376</u>	<u>\$ 262,698</u>
Represented by:		
Cash	\$ 53,175	\$ 17,913
Restricted cash	288,201	244,785
	<u>\$ 341,376</u>	<u>\$ 262,698</u>

The accompanying notes are an integral part of these consolidated financial statements.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Period ended March 31, 2019

1. Significant accounting policies:

(a) Management's responsibility for the financial statements:

The Rural Municipality of Abram-Village is a municipality in the Province of Prince Edward Island and operates under the provisions of the Municipal Governments Act of Prince Edward Island. The Municipality provides municipal services such as sewer, planning, parks, recreation and other government services.

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, change in net financial assets and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Municipality and are, therefore, accountable to the Municipal Council for the administration of their financial affairs and resources. Consolidated with the Municipality are the following:

Rural Municipality of Abram-Village
Sewer Utility of Abrams Village

Interdepartmental and organizational transactions and balances are eliminated.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for the use in the provision of services. They have useful lives extending beyond the current period and are not intended for sale in the normal course of operations. The change in non-financial assets during the period, together with the annual surplus, provides the consolidated change in net financial assets for the period.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Period ended March 31, 2019

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Asset	Rate
Municipality:	
Buildings	40 years
Sidewalks	25 years
Park and playground	10 years
Sewer Utility:	
Sewer system	83 1/3 years
Pumping station	20 years
Equipment	5 years
Fence	10 years

(e) Revenue recognition:

Property tax billings are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates set by the Municipality. Taxation revenue is recorded as it is received in monthly installments from the Province of Prince Edward Island. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized.

Utility revenues are recognized when the significant risks and rewards of the service are transferred to the customer, which generally coincides with the time of billing, collectability is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

Revenues such as Community Centre rentals, lot sales and administration fees are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Period ended March 31, 2019

1. Significant accounting policies (continued):

(f) Government transfers:

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligible criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(g) Inventory - Land for sale:

Inventory of land for sale is recorded at the lower of cost and net realizable value. Land held for sale is recognized as a non-financial asset until it is reasonably anticipated that a sale will be completed within the next fiscal year.

2. Accounts receivable:

	March 31, 2019	December 31, 2017
Accounts receivable - sewer	\$ 19,571	\$ 8,290
Harmonized sales tax	12,344	31,629
Accounts receivable - sewer capital	-	138,081
Accounts receivable - general capital	-	1,157
Accounts receivable - general	-	920
	<u>\$ 31,915</u>	<u>\$ 180,077</u>

3. Line of credit:

The Municipality has established a bank operating line of credit up to \$5,000 bearing interest at the bank's prime rate plus 1.50% (3.95% as at March 31, 2019). At period end \$NIL (2017 - \$NIL) has been drawn upon this operating line of credit. See note 4 for security details.

The Municipality has also established a bank operating letter of credit up to \$27,777 bearing interest at 1.50% of the credit requested. At period end \$NIL (2017 - \$NIL) has been drawn upon this operating line of credit. See note 4 for security details.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Period ended March 31, 2019

4. Long-term debt:

	March 31, 2019	December 31, 2017
Evangeline Central Credit Union demand loan payable, interest at 4.34% per annum, repayable in annual installments of \$9,356 including interest, maturing March 7, 2025 and amortized to March 7, 2029.	\$ 74,614	\$ 220,000
Evangeline Central Credit Union demand loan payable, variable interest rate of prime plus 1.00% per annum, repayable in monthly payments of \$473 plus interest, maturing and amortized to March 30, 2021.	10,833	18,333
Evangeline Central Credit Union demand loan payable, interest at 4.25% per annum, repayable in quarterly installments of \$3,697 installments including interest, maturing April 21, 2022 and amortized to April 1, 2028.	112,335	124,454
	<u>\$ 197,782</u>	<u>\$ 362,787</u>

The aggregate required regular principal repayments of long-term debt for each of the five years subsequent to March 31, 2019 are as follows: 2020 - \$21,968; 2021 - \$22,055; 2022 - \$17,733; 2023 - \$18,500 and 2024 - \$19,300.

As security for the line of credit and demand loans, the Municipality has provided a general security agreement providing a fixed charge over serial numbered assets, a first floating charge over all other assets, and all shares, savings and deposits at the Evangeline Central Credit Union.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Period ended March 31, 2019

5. Equity in tangible capital assets:

	March 31, 2019	December 31, 2017
Tangible capital assets (Schedule 3)	\$ 2,760,523	\$ 2,760,523
Accumulated amortization (Schedule 3)	(560,425)	(503,021)
Long-term debt (note 4)	(123,168)	(142,787)
	<u>\$ 2,076,930</u>	<u>\$ 2,114,715</u>

6. Accumulated surplus:

Accumulated surplus consists of unrestricted amounts and equity in tangible capital assets as follows:

	March 31, 2019	December 31, 2017
Unrestricted surplus	\$ 47,614	\$ 74,790
Gas Tax funding - unspent portion	286,978	244,785
Equity in land inventory	210,625	121,397
Equity in tangible capital assets (note 5)	2,076,930	2,114,715
	<u>\$ 2,622,147</u>	<u>\$ 2,555,687</u>

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Period ended March 31, 2019

7. Government transfers:

	Budget (Note 8)	March 31, 2019	December 31, 2017
Government transfers for general operations:			
Provincial equalization grant	\$ 12,400	\$ 12,428	\$ 9,432
Jobs for Youth	4,000	3,843	3,744
Innovation PEI	-	2,000	14
Gas Tax funding	-	1,002	-
Community Fund Setting the Stage	-	-	4,200
Community Fund Canada Day	-	-	4,000
Government transfers for sewer operations:			
Gas Tax funding	-	1,574	-
	\$ 16,400	\$ 20,847	\$ 21,390

	March 31, 2019	December 31, 2017
Government transfers for general capital:		
Gas Tax funding	\$ 97,424	\$ 100,000
Municipal Capital Expenditures Grant	-	1,157
Government transfers for sewer capital:		
CWWF grant	-	121,836
Municipal Capital Expenditures Grant	-	16,245
	\$ 97,424	\$ 239,238

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Period ended March 31, 2019

8. Budget:

The columns presented as budget on the consolidated statement of operations and statement of changes in net debt were not subject to audit or review by the external auditor.

A reconciliation of the 2019 fiscal budget prepared by Council to the budget figures disclosed in the financial statements is as follows:

	2019
Rural Municipality of Abram-Village budget annual surplus	\$ -
Add: debt repayment	22,000
	\$ 22,000

9. Segmented information:

The Municipality is a diversified municipal government that provides a wide range of services to its residents. Distinguishable functional segments have been separately disclosed in the financial statements in the form of segmented information. The nature of segments and the activities they encompass are as follows:

Administration

General government revenues and expenses that relate to the operations of the Municipality itself and cannot be directly attributed to a specific segment

Sewer Utility of Abrams Village

Sewer utility, operating under a separate legal entity, responsible for processing and cleaning sewage in accordance with provincial standards.

Community centre

Revenues and expenses related to the operations of the Community centre

The accounting policies of the segments are the same as those described in Note 1 Significant Accounting Policies. The revenues and expenses that are directly attributable to a particular segment are allocated directly to that segment.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Notes to Consolidated Financial Statements

Period ended March 31, 2019

10. Comparative figures:

The period ending March 31, 2019 relates to a 15-month period where as the comparative figures are based on a 12-month year ending December 31, 2017.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Schedule of Sewer Operations

Period ended March 31, 2019

Schedule 1

	March 31, 2019	December 31, 2017
Revenue:		
Sewer assessments	\$ 62,075	\$ 50,010
Interest	408	216
	<u>62,483</u>	<u>50,226</u>
Expenses:		
Administration fee	13,500	13,231
Amortization	36,358	29,086
Bad debts	1,270	-
Dues	1,103	717
Electricity	4,234	2,846
Interest and bank charges	76	168
Interest on long-term debt	6,213	4,985
Maintenance	23,226	19,151
	<u>85,980</u>	<u>70,184</u>
Excess of expenses over revenue before other	(23,497)	(19,958)
Other:		
Government transfers for capital (note 7)	1,574	138,081
Excess (deficiency) of revenue over expenses	<u>\$ (21,923)</u>	<u>\$ 118,123</u>

The accompanying notes are an integral part of these consolidated financial statements.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Schedule of Community Center Operations

Period ended March 31, 2019

Schedule 2

	March 31, 2019	December 31, 2017
Revenue:		
Rental revenue	\$ 4,790	\$ 2,990
Expenses:		
Amortization	4,493	3,595
General operating expenses	4,880	2,388
Heat	1,376	929
Insurance	3,451	2,433
Electricity	8,427	5,088
Maintenance	750	2,352
	23,377	16,785
Excess of expenses over revenue	\$ (18,587)	\$ (13,795)

The accompanying notes are an integral part of these consolidated financial statements.

RURAL MUNICIPALITY OF ABRAM-VILLAGE

Schedule of Tangible Capital Assets

Period ended March 31, 2019

Schedule 3

	Cost Beginning of Period	Additions	Disposals and Write- downs	Cost End of Period	Accumulated Amortization Beginning of Period	Disposals and Write- downs	Accumulated Amortization End of Period	Net Book Value March 31, 2019	Net Book Value December 31, 2017
Municipality:									
Land	\$ 9,318	\$ -	\$ -	\$ 9,318	\$ -	\$ -	\$ -	\$ 9,318	\$ 9,318
Community Center	143,779	-	-	143,779	13,954	-	18,447	125,332	129,825
Park and playground	54,259	-	-	54,259	27,130	-	33,913	20,346	27,129
Sidewalks	195,398	-	-	195,398	22,253	-	32,023	163,375	173,145
Sewer utility:									
Land	17,281	-	-	17,281	-	-	-	17,281	17,281
Sewer system	2,282,582	-	-	2,282,582	386,868	-	421,106	1,861,476	1,895,714
Pumping station	28,989	-	-	28,989	28,989	-	28,989	-	-
Equipment	11,954	-	-	11,954	11,954	-	11,954	-	-
Fence	16,963	-	-	16,963	11,873	-	13,993	2,970	5,090
	\$ 2,760,523	\$ -	\$ -	\$ 2,760,523	\$ 503,021	\$ -	\$ 560,425	\$ 2,200,098	\$ 2,257,502

The accompanying notes are an integral part of these consolidated financial statements.